

## Basic Views

The SHO-BOND Group positions corporate governance as one of the highest management priorities to realize our corporate philosophy "With a sense of mission of 'Inheriting and passing on social infrastructure to the next generation in good condition,' we will contribute to the realization of a safe and affluent society by utilizing our advanced technological development capability as a leading company in the structure maintenance business."

By fulfilling our social responsibility as a company that specializes in the maintenance business, we will work together with our shareholders and all other stakeholders to achieve sustainable growth and enhance our corporate value over the medium to long-term. In addition, we will aim for a highly sound and transparent management by developing and promoting a corporate governance system that enables swift and decisive decision-making.

## Progress in Strengthening Corporate Governance

We transitioned to the holding company system ahead of our industry peers and later became a company with an Audit and Supervisory Committee to strengthen corporate governance. We will continue maintaining a proper governance system while keeping a close eye on social circumstances.

Date	Event
January 2008	Transitioned to the holding company system
September 2015	Transitioned to a company with an Audit and Supervisory Committee and shortened directors' term of office to one year
September 2017	Increased the number of Outside Directors to three
July 2018	Started evaluating the effectiveness of the Board of Directors
November 2018	Established the Nomination and Remuneration Advisory Committee
August 2022	Established the Sustainability Committee

## Overview of Corporate Governance System

### Board of Directors

The Board of Directors has eight members including four directors who are members of the Audit and Supervisory Committee. The directors discuss and reach decisions about important matters involving management as prescribed by laws and regulations and the rules for the Board of Directors. As a rule, the board meets once every month and meets at other times as needed in order to reach decisions quickly.  
 (Number of meetings in FY2022: 13 times)

### Audit and Supervisory Committee

SHO-BOND is a company with Audit and Supervisory Committee. The Audit and Supervisory Committee has four members, of whom three are Outside Directors. As a rule, the committee meets once every month and meets at other times as needed. The Audit and Supervisory Committee, as an independent body, audits and supervises the performance of directors who are not members of the Audit and Supervisory Committee. The committee also prepares audit reports and reaches decisions about matters prescribed based on laws and regulations, the Articles of Incorporation, and Audit and Supervisory Committee rules and audit standards. The Audit and Supervisory Committee works with the accounting auditor and the Audit Office to perform audits efficiently.  
 (Number of meetings in FY2022: 11 times)

### Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee has four members; three Outside Directors and the President and Representative Director. This committee is actively involved in formation and execution of the succession plan for the President, has adequate discussions about matters on directors' nomination and remuneration and gives opinions and advice to the Board of Directors.  
 (Number of meetings in FY2022: 3 times)

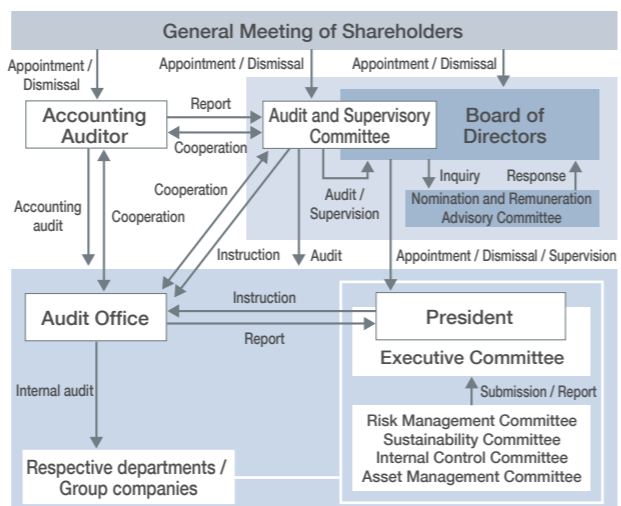
### Executive Committee

The President and Representative Director presides over the Executive Committee as a body to assist his decision-making in management. This committee consists of directors who are not members of the Audit and Supervisory Committee and senior executives, including the executives of SHO-BOND subsidiaries, nominated by the President. As a rule, the committee meets twice every month and meets at other times as needed in order to reach decisions quickly.  
 (Number of meetings in FY2022: 22 times)

### Internal Committees

Major committees related to business execution include the Risk Management Committee, Sustainability Committee, Internal Control Committee and the Asset Management Committee. Important management issues are continuously discussed by theme at these committees, and submitted and reported to the Executive Committee as needed.

### Overview of Corporate Governance System



## Method of Evaluating Effectiveness of the Board of Directors

To evaluate the effectiveness of the Board of Directors, a third-party external adviser is used in order to ensure objectivity every other year. The evaluation is performed by asking all directors, including members of the Audit and Supervisory Committee, to complete self-evaluation questionnaires. The Board of Directors reviews the one-year efforts to address the recognized issues, and conducts self-analysis and evaluation in the year after the evaluation by questionnaire.

### Summary of Evaluation Results

For the fiscal year ended June 2022, a third-party external adviser is used to conduct a survey of all directors, including members of the Audit and Supervisory Committee. As a result, the evaluation based on the analysis of the responses confirmed the effectiveness of the Board of Directors.

One of the issues that needed to be addressed in FY2022 was offering better executive training. To address this issue, we held three directors' study sessions to improve their knowledge and abilities as directors. We will continue to improve the effectiveness of the Board of Directors by further deepening discussions on sustainability management and continually enhancing executive training.

## SHO-BOND's Outside Directors

The Company elects three Outside Directors who are Audit and Supervisory Committee members.

Mr. Satoru Miura has knowledge and experience as a certified public accountant as well as considerable experience as a corporate accounting advisor. Mr. Akira Hongo has knowledge and experience as an attorney as well as considerable experience as a corporate consulting attorney. Ms. Reiko Kuwano has considerable academic expertise and experience in the field of civil engineering as a professor at the University of Tokyo. These persons play a role in ensuring the propeness of the business execution of the Company by drawing on their respective knowledge and experience and providing oversight and advice from an independent standpoint as an Outside Director. None of the three Outside Directors have personal, capital or business relationships or any other special interests with the Company. In addition, the standards for Independent Outside Directors in the Company's Corporate Governance Guidelines comply with the independence standards of financial instruments exchanges. We seek to provide the Outside Directors with information in an efficient and in-depth manner so that they can fully understand the Group and exercise their abilities to the fullest in management. When the Outside Directors make inquiries, relevant executive officers directly give explanations to them as necessary, promoting smooth communication with them.

## Dialogue with Shareholders and Investors

The Group places importance on information disclosure and dialogue with shareholders, institutional investors, analysts, and other interested parties. For institutional investors, we hold an information meeting about financial results twice a year as well as one-to-one meetings held every quarter. In addition to such one-to-one meetings more than 100 times a year, we hold a small meeting attended by President after announcing the full-year financial results. For individual shareholders, we hold information meetings in Tokyo and Osaka in March every year after transitioning to the holding company system in 2008. Dialogues are consistent with the spirit of fair disclosure, and care is exercised to prevent the disclosure of insider information. The Executive Committee and the Board of Directors regularly receive feedback periodically concerning the opinions and concerns of shareholders. This information helps management take actions aimed at achieving sustained growth.

The basic policy for investor relations is to provide accurate, fair and timely information about our management strategies, business activities, financial condition, and other items. The purpose is to build long-term relationships rooted in trust and receive a proper evaluation from all stakeholders. This policy is posted on our website.

Activity	Frequency (FY2022)
Information meetings for individual shareholders*	We refrained from holding the meetings due to the COVID-19 pandemic.
Information meeting for institutional investors (attended by President and Chief Financial Officer)	2 times
One-to-one meetings by Chief Financial Officer	102 times

\*The meetings are held in Tokyo and Osaka in March every year.

# Corporate Governance

## Details of Compensation for Directors (and Other Officers)

At Board of Directors meeting held on September 26, 2019, the SHO-BOND Group resolved the policy regarding decisions on the details of the compensation, etc. for each individual Director (excluding Directors serving as Audit and Supervisory Committee Members; hereinafter "Directors"), and the details of such are as follows:

As the Company is a holding company that is in charge of supervising Group companies, the compensation for the Company's Directors comprises basic compensation only. Furthermore, the payment of basic compensation shall be monthly fixed compensation in cash.

All of the Company's Directors, other than Outside Directors, concurrently serves as Director or Auditor of a subsidiary. Compensation is determined by proportionately taking into consideration the weight of the business of both the Company and subsidiaries, and multiplying it by the monthly compensation amount of subsidiaries. Furthermore, bonuses, which are paid depending on financial results, are paid by the subsidiaries to which the Directors belong. In determining compensation, etc., the President and Representative Director prepares a compensation proposal, including the portion to be paid by subsidiaries, that is determined at a Board of Directors meeting after consulting the Nomination and Remuneration Advisory Committee, which comprises the Company's Outside Directors and the President and Representative Director.

In determining the details of individual compensation, etc. for Directors pertaining to the fiscal year ended June 30, 2022, the Company judged that it is in line with this policy as the Nomination and Remuneration Advisory Committee carried out a multifaceted investigation of the original proposal, and the Board of Directors made the determination after taking into consideration the report from the Nomination and Remuneration Advisory Committee.

The upper limit on compensation to Directors is ¥350 million per year (not including employee salaries), and the upper limit on compensation to Directors serving as Audit and Supervisory Committee Members is ¥50 million per year, both of which were resolved at the 8th Annual General Meeting of Shareholders held on September 25, 2015.

### Total Amount of Compensation, etc. for the Fiscal Year Ended June 30, 2022 (Million Yen Unless Otherwise Stated)

Category	Number of Directors (persons)	Amount	Total amount of remuneration by type: Basic remuneration
Directors (excluding Directors serving as Audit and Supervisory Committee Members) [of which, Outside Directors]	5 [-]	83 [-]	83 [-]
Directors (Audit and Supervisory Committee Members) [of which, Outside Directors]	4 [3]	24 [19]	24 [19]
<b>Total</b>	<b>9</b> <b>[3]</b>	<b>107</b> <b>[19]</b>	<b>107</b> <b>[19]</b>

Note: The above number of directors includes one director serving as Audit and Supervisory Committee member who retired at the closing of the 14th Annual General Meeting of Shareholders held on September 28, 2021.

## Cross-shareholdings

As a rule, the Group does not purchase or hold the stock of suppliers and other business partners with the exception of cases where purchasing and holding stock helps conduct business operations efficiently and maintain and strengthen business relationships, thereby contributing to the medium- to long-term growth of its corporate value.

Holdings of the stock of other companies are examined individually by taking into consideration of qualitative and quantitative benefits and risk factors, including holding purposes, the amount of transactions with these companies, their operating environment, results of operations and financial position, dividend yields as a return of investments and stock price fluctuation risks. Holdings are reduced when there is little need to continue owning the stock in accordance with the current Medium-term Business Plan.

Voting decisions concerning the stock of other companies are based on the goals of increasing shareholder value and contributing to the long-term growth of the corporate value of them.

## Internal Control

The SHO-BOND Group has a system of internal controls for ensuring that all business operations are conducted properly in accordance with the Companies Act and Ordinance for Enforcement of the Companies Act. In addition, the Board of Directors has established The Basic Policy for Constructing an Internal Control System that has the goals of efficient business activities, reliable reports, strict compliance with laws and regulations, and other items.

We are taking various measures, including the establishment of an Internal Control Committee and a department in charge of promoting internal control in FY2019, in order to further strengthen internal control within the Group and permanently ensure a favorable control environment.

## Directors



President and Representative Director  
**Tatsuya Kishimoto**

April 2011 Joined SHO-BOND CORPORATION  
April 2011 Director and Executive Officer, and General Manager of Kinki Regional Office  
July 2012 Senior Managing Director and General Manager of Kinki Regional Office  
September 2012 Director of the Company  
April 2013 Senior Managing Director and General Manager of Marketing and Sales Division of SHO-BOND CORPORATION  
April 2015 Executive Vice President and Director  
April 2017 President and Representative Director  
Director and General Manager of Corporate Planning Department of the Company  
President of General Incorporated Foundation Ueda Memorial Foundation (current position)  
May 2017 President and Representative Director of the Company (current position)  
September 2017 President and Representative Director, and General Manager of Marketing and Sales Division of SHO-BOND CORPORATION (current position)  
July 2021



Director and General Manager of Technology Promotion Department  
**Koyo Takeo**

April 1979 Joined SHO-BOND CORPORATION  
January 2010 Director and Executive Officer, and General Manager of Kyushu Regional Office  
April 2011 Director and Executive Officer, and General Manager of Engineering Department at Head Office, Marketing and Sales Division  
July 2012 Director and Managing Executive Officer, and General Manager of Engineering Division of SHO-BOND CORPORATION  
September 2013 Director and General Manager of Technology Promotion Department of the Company (current position)  
April 2014 Senior Managing Director and General Manager of Engineering Division of SHO-BOND CORPORATION  
April 2017 Senior Managing Director, General Manager of Engineering Division, and Director of Technical Research Institute  
April 2019 Executive Vice President and Representative Director, and General Manager of Technical Research Institute (current position)



Director and General Manager of Corporate Planning Department  
**Yasuhiro Sekiguchi**

April 1989 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)  
May 2014 General Manager of Strategic Investment Division  
July 2017 Joined SHO-BOND CORPORATION  
December 2017 Director, Deputy General Manager of Corporate Administration Division and General Manager of Corporate Planning Department of SHO-BOND CORPORATION  
September 2018 Director and General Manager of Corporate Planning Department (current position)  
April 2020 Managing Director, Deputy General Manager of Corporate Administration Division and General Manager of Corporate Planning Department of SHO-BOND CORPORATION  
September 2022 Managing Director, General Manager of Corporate Administration Division, General Manager of Corporate Planning Department, and General Manager of ESG Promotion Office, Corporate Planning Department (current position)



Director and General Manager of Sales Management Department  
**Shigeru Naraoka**

May 1989 Joined SHO-BOND CORPORATION  
July 2012 Director and Executive Officer, and General Manager of Chubu Regional Office  
July 2016 Director and General Manager of Sales Management Department of SHO-BOND MATERIAL CO., LTD.  
April 2017 Director and General Manager of Marketing and Sales Department, Marketing and Sales Division of SHO-BOND CORPORATION  
April 2018 President and Representative Director of SHO-BOND MATERIAL CO., LTD. (current position)  
April 2019 Director and General Manager of Sales Management Department, Marketing and Sales Division of SHO-BOND CORPORATION  
September 2019 Director and General Manager of Sales Management Department of the Company (current position)



Director and Full-time Audit and Supervisory Committee Member  
**Shunya Tojo**

November 1990 Joined SHO-BOND CORPORATION  
July 2012 Director and General Manager of Administration and Human Resources Department of SHO-BOND CORPORATION  
April 2014 Managing Director, General Manager of Corporate Planning Division, and General Manager of Administration and Human Resources Department  
September 2015 Director, General Manager of General Affairs Department, and General Manager of Compliance Department  
September 2017 Managing Director, General Manager of Corporate Administration Division, and General Manager of Administration and Human Resources Department of SHO-BOND CORPORATION  
Director and General Manager of Public Relations Department of the Company  
April 2019 Senior Managing Director, General Manager of Corporate Administration Division, and General Manager of Administration and Human Resources Department of SHO-BOND CORPORATION  
September 2022 Director (Full-time Audit and Supervisory Committee Member) of the Company (current position)



Outside Director  
Audit and Supervisory Committee Member  
**Satoru Miura**

April 1981 Registered as certified public accountant (to present)  
June 1990 Established Miura C.P.A. Office (to present)  
February 2015 Outside Corporate Auditor of NODA CORPORATION (current position)  
March 2015 Corporate Auditor of Toukei Computer Co., Ltd.  
March 2017 Outside Director (Audit and Supervisory Committee Member)  
September 2017 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)  
September 2021 Auditor of SHO-BOND CORPORATION



Outside Director  
Audit and Supervisory Committee Member  
**Akira Hongo**

April 1988 Registered as attorney at law (to present)  
April 1995 Established Hongo sogo Law Office (to present)  
April 2010 Professor of Keio University Law School (current position)  
September 2017 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)



Outside Director  
Audit and Supervisory Committee Member  
**Reiko Kuwano**

April 1989 Joined TAISEI CORPORATION  
March 1999 Research Associate of the University of Tokyo  
October 2001 Senior Researcher of Public Works Research Institute  
April 2006 Associate Professor, Institute of Industrial Science of the University of Tokyo  
July 2013 Professor (current position)  
September 2017 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)

### Knowledge, Experience, Skills, etc. of Each Director (Skill Matrix)

No.	Name	Inside / Outside	Corporate management	Finance / Accounting	HR	Legal affairs / Compliance / Risk management	Global	Technology / R&D	Skill items	Details
1	Tatsuya Kishimoto	Inside	●		●	●		●	Corporate management	Contributes to management based on experience taking part in corporate management, making of significant corporate decisions, etc.
2	Koyo Takeo	Inside	●		●	●		●	Finance / Accounting	Contributes to management based on experience and knowledge related to finance and accounting
3	Yasuhiro Sekiguchi	Inside	●	●		●	●		HR	HR refers to Human Resources. Contributes to management based on knowledge and experience related to the formulation of human resource strategies, human resource development and training, diversity, working style reforms, etc.
4	Shigeru Naraoka	Inside	●				●	●	Legal affairs / Compliance / Risk management	Contributes to management based on knowledge and experience related to legal affairs, compliance and risk management
5	Shunya Tojo	Inside	●		●	●			Global	Contributes to management based on knowledge and experience related to overseas business development, etc.
6	Satoru Miura	Outside	●	●		●			Technology / R&D	R&D refers to Research and Development Contributes to management based on knowledge and experience related to technology and R&D
7	Akira Hongo	Outside			●	●				
8	Reiko Kuwano	Outside					●	●		

Note: The table is not indicative of all the expertise and experience possessed by the Directors.

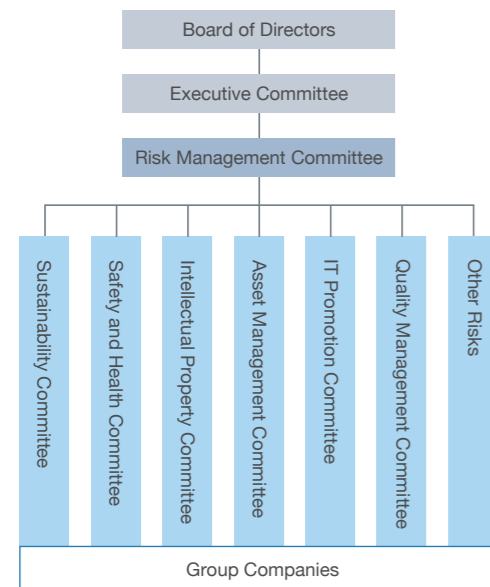
# Risk Management

## Risk Management Framework

The Group has risk management rules and a Risk Management Committee to be prepared for events that can have a major impact on business activities and reduce exposure to these risk factors. Risk management also includes measures to minimize damage and losses if a crisis occurs and to prevent incidents from happening again.

The Risk Management Committee plays a central role in risk management at the Group. The Committee chaired by President and Representative Director meets once a quarter as a general rule. The Committee puts together individual risks discussed in other internal committees to (1) identify risks and implement preventive measures, (2) act as an emergency response headquarters when a crisis may occur, and (3) develop actions to prevent incidents from happening again across the Group. The Committee periodically evaluates risk factors according to the established process, and constantly reexamines the risk management process itself to reflect current changes in the social and business environment.

### Risk Management Framework Chart



### Risk Management Process

Process	Explanation
1 Risk identification	Business risk factors of the SHO-BOND Group are divided into Risk Categories and specific potential problems are identified for each risk factor. Magnitude of risk is defined as "the impact of an incident" multiplied by "the probability of the incident happening."
2 Risk analysis and monitoring	Studies to determine numerical and other indicators for individual risk factors and the methods for monitoring them. Monitoring for changes in "the impact of an incident" and "the probability of the incident happening." Estimates of changes in risk exposure by using a qualitative analysis of changes in regulations, amendments to laws, government financial policies and other items that are difficult to measure numerically.
3 Risk control	Prepare lists of business tasks that every business unit performs periodically in order to measure and monitor risk factors. Next, check to confirm that risk factors are being controlled by these business tasks.
4 Risk evaluation	By using the reports from business units, the executive in charge of risk management assesses the magnitude of every risk factor and submits a report to the Risk Management Committee. The Risk Management Committee determines priorities concerning the magnitude and categories of risk factors and discusses methods for the efficient management of risk.
5 Responses to incidents	Emergency response manuals to be prepared for incidents. Perform studies concerning crisis management activities, such as direct responses to incidents, crisis management meetings, reports to government offices and agencies, public announcements about emergencies, and other responses to incidents.

## Information Security Measures

With the acceleration of DX and changes in the usage environment of information systems, information security risk has been increasing these days, such as the growing sophistication of external cyberattacks. In the construction industry in particular, ensuring information security is an urgent issue as construction site offices are exposed to major information security risks. We therefore raise awareness of these risks among employees by taking such measures as having all employees including the executive officers complete e-learning courses, conducting a phishing drill, and distributing awareness posters to our construction sites across Japan. Going forward, we will prevent unauthorized access from outside the Group and computer viruses by sequentially taking more defensive and detective network security measures.

## Business Continuity Plan

The Group has a business continuity plan (BCP) to address disaster risk such as a great earthquake. We strive to improve our capability to continue business operations based on the BCP on a regular basis to avoid the disruption of key operations as much as possible in the event of a major disaster and to return to normal operations early if disrupted.

We periodically conduct an evacuation drill and first aid training on the assumption that a great earthquake has occurred. We also conduct a drill of responding to a safety confirmation email and have each site regularly check the items of an emergency kit. We will continue to upgrade the BCP and expand the scope of areas covered by it to reduce disaster risk.

# Compliance

## Basic Concept for Compliance

The SHO-BOND Group believes that a sound compliance framework is vital to conducting business activities that meet high standards of social responsibility and are capable of sustainable growth. The SHO-BOND Group Code of Conduct enables all employees to do their jobs based on a thorough understanding of socially acceptable behavior, laws and regulations, internal rules and other guidelines.

All employees at the group are dedicated to the achievement of the action principles "Corporate Credo" and the Corporate Philosophy by using a broad range of activities for earning the trust of society and all stakeholders.

## Compliance Promotion Framework

The Group implements a compliance program. The SHO-BOND Group Code of Conduct clearly states the rules of behavior that its employees are expected to follow. We also have a compliance manual to ensure that all employees are aware of the importance of compliance.

In addition, we have close cooperation among Group companies by establishing a Compliance Office responsible for compliance matters and assigning a compliance leader to each site.

Further, we provide education and training to all employees of the Group to raise compliance awareness.

## Compliance Training

The Group provides compliance education as part of training for new employees and follow-up training\* provided each year. In the training, we give a general compliance lecture and urge employees to observe the SHO-BOND Group Code of Conduct. We also ensure that employees are aware of the Construction Business Act that must be observed as a construction company.

We seek to create an employee-friendly work environment by periodically having all employees do a self-check and providing them with e-learning to prevent all forms of harassment.

\*Follow-up training is targeted at employees for their second year and those who have just got promoted.

## Whistleblowing Contact Points

The Group has internal and external contact points for whistleblowers to report any kind of violation they detect, regardless of its agent (individual or organization) and the type of regulations violated (applicable laws, the rules of employment, the SHO-BOND Group Code of Conduct, etc.). The purpose is to investigate and eradicate such violations as soon as we can.

We pay due care so that whistleblowers will remain anonymous as a general rule and will not suffer any disadvantages.

## Establishment of Anti-bribery Policy

The Group has sought to maintain sound business practices. In August 2022, we established an Anti-bribery Policy to clarify our anti-corruption philosophy from a sustainability perspective. Based on the SHO-BOND Group Code of Conduct, we will continue to uphold high ethical standards to prevent bribery, and continue to ensure fair and sound relationships with our customers and all other stakeholders.

## The SHO-BOND Group Code of Conduct

### Social mission

- Earn customer satisfaction and trust  
We will fulfill all of our contractual obligations with customers and, based on sound communications with customers, provide the best possible construction services and products by making proper and timely decisions.
- Provide outstanding technologies and quality  
We will constantly develop new technologies and aim for even higher quality.

### Take responsibility for your actions

- Perform sales activities properly  
We refuse to engage in collusion, bribes, dumping and other improper activities for receiving orders and will never accept any invitation to participate in these types of activities. We will work closely with project owners and prime contractors in order to receive orders in a fair manner and to clearly define contract terms.
- Remain focused on suitable construction operations and safety  
At all projects, we will establish a framework for compliance with the Construction Business Act and other construction laws and regulations, preventing accidents, and facilitating mutual understanding and cooperation with partner companies and suppliers.
- Ensure that accounting procedures and disclosure activities are proper  
We will establish and adhere to fair and appropriate procedures for accounting activities to ensure the reliability of financial reports and disclose information required by our stakeholders.

- Eliminate antisocial forces  
We refuse to respond to improper requests from antisocial forces and will never have any relationship with antisocial forces.

- Maintain a sound crisis management framework

We have an organizational crisis management framework in order to respond immediately to a natural disaster, cyberattack, terrorism or other crisis.

### Unify the workplace

- Contribute to maintaining a pleasant and productive workplace environment  
We will maintain healthy and safe workplace environments through measures to improve employment terms and other working conditions.
- Show respect for human rights

We will never allow discrimination or other improper treatment of our employees regarding employment and compensation based on their nationality, gender, beliefs or other personal characteristics.

- Play a role in placing the right people in the right jobs

We will perform fair and appropriate performance evaluations and provide compensation and training with the goal of enabling our employees to fully utilize their capabilities.

### Contribute to society

- Participate in community involvement  
We will increase opportunities for communications with communities in order to participate in many programs for contributing to society.
- Be part of environmental conservation activities  
We will reduce the environmental impact of our construction projects through many activities in order to combat global warming, conserve energy and protect the environment in other ways.